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Service BC
Ministry of Labour & Citizens' Services

Infoline

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- **Unemployment rate edges down to 4.2% in May; still among the lowest in the country**
- **Exports up 5.5% in April**
- **Housing starts climb 8.8%; building permits down 7.0% in April**

Labour Force

- **British Columbia's unemployment rate edged down 0.2 percentage points in May, to 4.2%.** The decrease in the jobless rate came despite labour force growth (+0.4%) as the number of jobs grew more rapidly (+0.6%) from April's levels. BC and Ontario were the only regions where the jobless rate decreased in May.

  After recording the third-lowest unemployment rate in the country in April, BC's ranking climbed to second among the provinces. Only Alberta (3.8%) posted a lower unemployment rate in May. Residents of BC and all three Prairie provinces continued to benefit from robust labour market conditions, with jobless rates well below the national average (6.1%).

  Data Source: Statistics Canada

- **In BC, job growth stalled in the goods sector, with employment virtually unchanged (+0.0%) from the April level, while the services sector saw a 0.8% increase.** Manufacturing, the biggest employer in the goods sector, shed jobs (-2.6%), but construction, the other big employer on the goods side, offset these losses by increasing the size of its workforce 3.1%. Most service sector industries increased jobs, but there were two notable exceptions. The number of people working in health care & social assistance dropped 3.0%, marking the second strong monthly decline this year. Employment remained volatile in the management & administration industry, slipping 4.3% after posting an increase in the previous month. The number of jobs in public administration also slipped (-2.5%), but every other service sector industry posted growth or remained stable.

- **Public sector employment declined 0.7%, partly due to the large decrease in the number of workers in health & related industries.** Job growth in the private sector was much stronger (+0.6%), and self-employment was up 2.0%. There were more full-time jobs (+1.1%) but the number of part-time workers (-1.1%) declined for a second straight month. Young people looking for work continued to face relatively favourable job market conditions. The unemployment rate for those aged 15-24 decreased to 6.8%, the lowest level since November 2005. Both women (+0.7%) and men (+0.6%) felt the effects of April's job gains. *Data Source: Statistics Canada*

- **Regional unemployment rates ranged from 3.4% (*3-month-moving average, unadjusted*) in Northeast[1] to 8.4% in North Coast/Nechako** where rates have traditionally been well above the average for the province. Vancouver (4.2%, *seasonally adjusted*), Abbotsford (4.2%) and Victoria (3.2%) continue to see low unemployment rates which reflect robust job growth in these areas. *Data Source: Statistics Canada*

The Economy

- **The value of BC origin exports was up 5.5% in April (*seasonally adjusted*) building on a similar increase in March (+4.5%).** Exports of industrial & consumer goods (+11.3%) saw the most notable increase in export value, followed by energy (+7.1) and forestry (+5.3%) products. Agriculture & fish (-4.6%) was the only major commodity group to show a decrease in export value.

  Exports to the United States climbed 1.5% as declines in shipments of forestry (-2.4%) and agriculture & fish (-3.0%) products were offset by growth in other areas. Energy shipments south of the border see-sawed, surging 10.2% following a 5.8% decrease in March. Exports of

[1] BC Stats estimate using data supplied by Statistics Canada

Did you know...
36% of British Columbians claim to have had an email account for over ten years. This is compared to the national average of 28%, and a rate of 18% in Quebec. *Source: Ipsos Canada*

industrial & consumer goods (+2.9%) and machinery, equipment & automobiles (+0.3%) were also up in April. International exports to countries other than the US soared (+12.0%), fuelled in part by significant increases in shipments of industrial & consumer (+22.2%) and forestry (+16.6%) products.

At the national level, goods exports inched down 0.3%, following a 2.2% decrease the previous month. Forestry (-1.4%), energy (-4.0%) and automotive (-4.6%) products were among the commodities pulling exports down. Canadian exports to Japan (+6.4%) and the European Union (+15.3%) were up in May, but commodities sent to the US were down considerably (-2.6%). *Data Sources: BC Stats & Statistics Canada*

- **Housing starts in the province climbed 8.8% (*seasonally adjusted*) in October, more than reversing the 2.7% decrease the previous month.** Nationally, starts were up 8.4%, on the strength of robust building activity in seven provinces.

  Data Source: Canada Mortgage and Housing Corporation

- **The value of building permits issued by BC municipalities slipped 7.0% (*seasonally adjusted*) in April, as planned spending on both residential (-2.8%) and non-residential (-15.9%) projects eased.**

  In Abbotsford, permits were up 87.5%, one of the most significant increases in the country. Permits issued in Vancouver (+10.4%) also increased while both Kelowna (-55.0%) and Victoria (-42.1%) posted substantial declines.

  Nationally, permits dropped 8.4% with decreases in other provinces ranging from 3.7% in Newfoundland to 31.8% in New Brunswick. Nova Scotia (+77.7%) was the only province to post an increase in April. *Data Source: Statistics Canada*

- **Year-to-date, building permits were 18.2% higher than in the first four months of 2006, with five regions recording significant increases in the value of permits issued.** Permits jumped most notably in Cariboo (+47.3%), partly due to a residential building boom (+56.7%) together with big increases in planned spending on commercial and industrial projects.

  In Vancouver Island/Coast, a 26.4% increase in the value of permits reflected significantly higher spending on institutional, industrial and residential projects. Other increases in the value of permits include those recorded in Mainland/Southwest (+17.7%), Thompson Okanagan (+19.8%), and Nechako (+44.6%).

  Planned spending on new projects fell in three regions, with the biggest decline occurring in Northeast (-24.2%), where the value of permits issued for commercial projects plunged. Municipalities in North Coast (-11.3%) and Kootenay (-5.1%) also saw permits fall below 2006 year-to-date levels.

  Data Source: Statistics Canada & BC Stats

Lumber

- **Canadian lumber shipments declined substantially in 2006 (-17.5% to $11.9 billion), hitting the lowest level in 14 years.** Despite the national decline, British Columbia recovered its share of national exports. In 2006, the province had the largest share of lumber exports (63%) followed by Quebec (16%), Ontario (8%) and the other provinces (13%).

  Between 1995 and 1998, BC's share of exports dropped from 67% to 56%. Since then, its share has rebounded partly due to the excess supplies resulting from the pine beetle epidemic. Quebec has seen its market share fall (from 20% in 1998 to 16% in 2006), while that of the other provinces remained relatively stable.

  The Canadian lumber industry has faced numerous challenges in recent years, including the Canada-US Softwood Lumber Agreement, the American anti-dumping and countervailing duties, a rise in energy and raw material prices, a decline in lumber prices and a higher exchange rate for the Canadian dollar.

  Canada's sawmills and wood preservation industry contributed nearly $7.6 billion to the national Gross Domestic Product (GDP) in 2006, equivalent to 0.7% of the entire Canadian economy. This industry accounts for more than 4% of total Canadian merchandise exports.

  Data Source: S.C. Cat. #11-621-MWE2007055

For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the catalogue number.

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Originally published in
Exports Issue 07-02

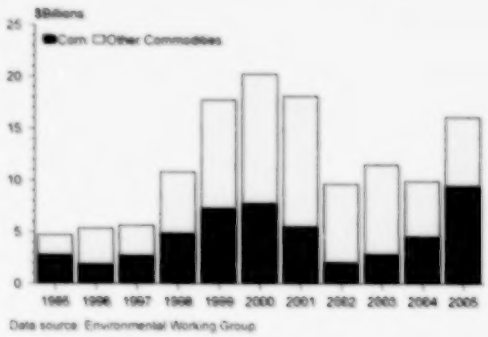
Canada–USA Corn Row

Although the trade relationship between Canada and the United States represents the largest two-way flow of goods and services in the world, there have been some disagreements along the way. Most Canadians are familiar with the dispute over softwood lumber, but there have been other trade spats as well. The latest dispute centres around American agricultural subsidies, particularly for corn. Canada has brought a complaint before the World Trade Organization (WTO) challenging government subsidies to American corn growers as well as total trade-distorting aid to farmers.

In 2005, the United States government doled out over $16 billion in commodity subsidies to American farmers, of which over $9 billion (59%) was for corn[1]. From 1995 through 2005, the total amount of funds transferred from the US government to farmers in the form of commodity subsidies was $129.5 billion. Corn subsidies comprised 40%, or $51.3 billion of this total. The US Department of Agriculture also offered an additional $35.2 billion in conservation and disaster subsidies to American farmers over that period.

The Canadian government alleges that these massive subsidies create unfair market advantages for American farmers and distort trading practises as a result. This is not the first time that Canada has brought forward a complaint over subsidized corn from the United States. In fact, it was only a year ago that the Canadian International Trade Tribunal (CITT) determined that imports of corn from the US caused no injury to Canadian corn producers.

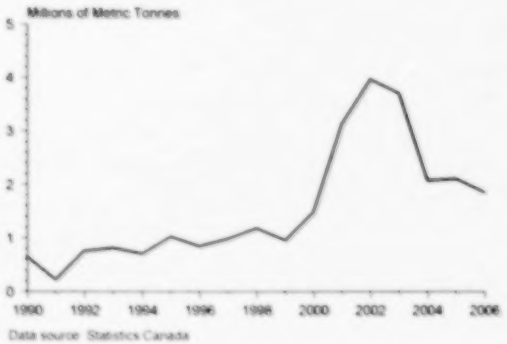
The United States pays out billions of dollars in commodity subsidies to farmers



Data source: Environmental Working Group

Canadian corn growers had previously launched a complaint against imports of corn from the United States prompting both the Canadian Border Services Agency (CBSA) and the CITT to investigate. The genesis of the complaint was a substantial increase in imports of grain corn from the United States with volumes more than doubling between 2000 and 2001. Although they have come down somewhat in the last few years, corn imports are still well above the levels experienced in the 1990s.

Canadian imports of grain corn popped earlier in the decade and are still well above levels seen in the 1990s



Data source: Statistics Canada

[1] This data is from the Farm Subsidy Database produced by the Environmental Working Group, which is a public research and advocacy organization in the United States.

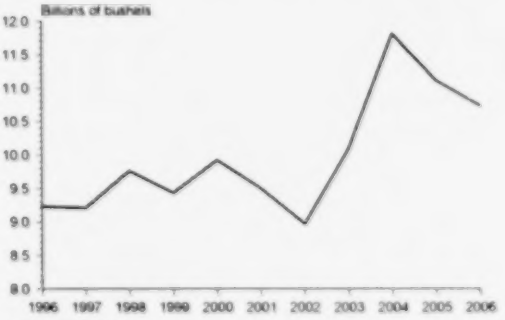
In November, 2005, the CITT determined that there was evidence that the dumping and subsidizing of unprocessed grain corn was causing injury to Canada's corn producing industry. A month later the CBSA gave a preliminary determination of dumping and subsidizing of grain corn from the United States. As a result of these preliminary determinations, provisional anti-dumping and countervailing duties were imposed on imports of American corn. In March, 2006, the CBSA finalized its determination that US corn was subsidized and was being dumped in the Canadian market; however, a month later the CITT reversed its earlier decision and announced a finding of no injury, resulting in duties being removed.

Despite that finding, the Canadian government has decided to pursue the issue by initiating a dispute settlement case with the WTO, alleging that US subsidies have harmed Canadian corn producers in the form of "serious prejudice" in violation of the WTO's Agreement on Subsidies and Countervailing Measures, and that US export credit guarantees constitute an illegal export subsidy. The scope of the challenge goes beyond just corn to include all trade-distorting subsidies offered by the US government to its farmers.

The United States has expressed surprise over Canada's challenge given the CITT finding of no injury in the earlier complaint by Canada's corn growers and also given the fact that the price of corn has risen dramatically in the last year. There have been objections within Canada as well, as users of corn such as cattle ranchers and hog farmers (who both use corn for feed) are concerned that this action will cause already high corn prices to inflate further, thereby raising their costs of production.

A recent WTO decision in favour of Brazil in a complaint involving American cotton subsidies may be one of the reasons why Canada has chosen to proceed with this challenge at this time, but perhaps the biggest reason is that the United States is scheduled to review and amend its Farm Bill this year. A WTO complaint could influence the US Congress and ensure the Farm Bill does not expand the subsidies it provides to American farmers, which are already valued at billions of dollars. Agricultural subsidies represented one of the major stumbling blocks in both the Doha round of the WTO free trade negotiations as well as the talks to achieve a Free Trade Area of the Americas and an enriched Farm Bill would push the likelihood of ever coming to an agreement on either of these free trade deals even further away. The global significance of this issue can be seen by the fact that several other countries have joined Canada in the WTO challenge. Argentina, Australia, Brazil, the European Communities, Guatemala, Nicaragua, Thailand and Uruguay have all requested to join the consultations, while Mexico has indicated that if the WTO orders a formal investigation, it too will join the complaint.

American corn production has jumped significantly in the last few years



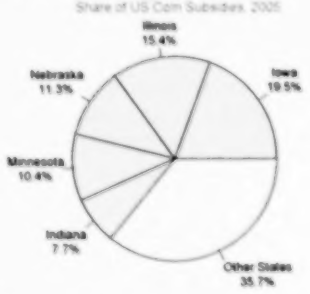
Data source: USDA

The massive subsidies distributed to corn farmers in the US may be one of the reasons for the recent spike in American corn production, but spiralling demand likely plays an even larger role. The main driver of rising demand for corn is the push toward ethanol as an alternative fuel. With the health of the environment increasingly becoming a political issue, there has been a movement away from traditional petroleum-based fuels and toward biofuels, such as ethanol. The United States government has targeted a 20% reduction in the use of gasoline in the next ten years through greater use of alternative fuels in order to lessen American dependence on foreign oil and reduce greenhouse gas emissions.

The problem with pushing ethanol as an "enviro-friendly" fuel is that the opposite may be true, particularly in the case of corn-based ethanol, which is the most prevalent form of ethanol in North America. There are conflicting studies on the efficiency of ethanol with some claiming that it takes as much or more energy to produce ethanol as is then available in the ethanol fuel. Even in those studies where a positive energy balance was found, the net gain was only about 30% (i.e., 1.3 units of energy produced for every unit expended). However, the more serious issue with ethanol is the trade-off between fuel and food. The higher demand for corn for use in ethanol is pushing up prices, which makes not only corn more expensive to consumers, but also food products that have corn as an ingredient or are corn fed. In addition, higher prices are making corn a more attractive produce to grow, which is causing farmers to switch from products such as cotton and soy beans toward corn. This will affect the supply of these other goods, which will in turn drive up their prices. There is already growing concern around the world that the increasing use of biofuels could lead to food shortages and serious price inflation.

Despite these concerns, it is unlikely that America's love affair with ethanol will end any time soon. Corn growers have a great deal of political clout in the United States, which is why corn is the most highly subsidized commodity in the country. It is particularly important for states in the Midwest. While all 48 Continental states receive government subsidies for corn, almost two-thirds of the money is distributed to just five states, with Iowa (20%) and Illinois (15%) leading the way. It is not likely that there will be the political will in the US to take on the issue of agricultural subsidies unless there are serious consequences to allowing them to remain in place. A WTO challenge such as the one Canada has initiated could at least be the beginning of a change in policy that could have dramatic effects worldwide.

Although all 48 Continental states receive corn subsidies, the majority is allocated to the top five states



Source: Environmental Working Group

Somewhat ironically, the fight against corn subsidies may not prove to be much help to Canadian corn producers given the soaring demand for corn and the subsequent rising prices. The higher the price for corn, the less American farmers receive in subsidies, so a cut to agricultural subsidies may not even affect corn growers as long as ethanol is seen as a desirable fuel alternative. In fact, if corn production replaces other crops, rising prices elsewhere due to shortages could reduce American subsidies automatically for most commodities. However, the removal,

or at least reduction, of agricultural subsidies could eliminate one of the roadblocks toward developing an improved global free trade agreement, which will benefit all countries. Although not a significant corn producer, as a province dependent on international trade, BC has a big stake in how Canada's corn challenge plays out.

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also on the Internet at www.bcstats.gov.bc.ca

BC at a glance . . .

POPULATION (thousands)	Jan 1/07	% change on one year ago
BC	4,338.1	1.3
Canada	32,777.3	1.0
GDP and INCOME (Released Apr 25)		
(BC - at market prices)	2006	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	179,701	6.4
GDP *($ 1997 millions)*	150,741	3.6
GDP *($ 1997 per Capita)*	34,971	2.3
Personal Disposable Income *($ 1997 per Capita)*	21,984	4.8
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Mar	3,472	1.5
Merchandise Exports - Mar	2,824	4.0
Retail Sales - Mar	4,624	1.4
CONSUMER PRICE INDEX	% change on	12-month avg
(all items - Apr 2007)	one year ago	% change
BC	1.9	1.9
Vancouver	2.3	2.2
Victoria	1.3	1.5
Canada	2.2	1.8
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	May '07	prev. month
Labour Force - BC	2,362	0.4
Employed - BC	2,263	0.6
Unemployed - BC	99	-5.3
		Apr '07
Unemployment Rate - BC *(percent)*	4.2	4.4
Unemployment Rate - Canada *(percent)*	6.1	6.1
INTEREST RATES (percent)	May 30/07	May 31/06
Prime Business Rate	6.00	6.00
Conventional Mortgages - 1 year	6.85	6.25
- 5 year	7.14	6.75
US/CANADA EXCHANGE RATE	May 30/07	May 31/06
(avg. noon spot rate) Cdn $	1.0754	1.1028
US $ *(reciprocal of the closing rate)*	0.9312	0.9079
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	May '07	one year ago
BC	741.59	2.7
Canada	743.89	2.5

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

Regional Employment Projections

BC Stats, with the financial assistance of the Ministry of Advanced Education, developed the Regional Employment Projection Model (REPM), designed to project industrial and occupational employment in regions of the Province of British Columbia. The model projects employment at the Regional District level and then aggregates back up to the College Region for reporting purposes.

www.bcstats.gov.bc.ca/data/lss/repm.asp

Socio-Economic Profiles & Indices

The 2006 edition of these widely-monitored reports provide the most complete and up-to-date basis for measuring and comparing the social and economic dimensions of regions in the province. Released April 4.

www.bcstats.gov.bc.ca/data/sep/index.asp

High Technology Sector—2006

The high technology sector is a growing part of British Columbia's diverse economy, offering the prospect of strong economic growth in the years to come, as well as a local source of technology inputs to the province's resource-based industries.

Our latest *Profile* and *Input Indicators* reports are now available.

www.bcstats.gov.bc.ca/data/bus_stat/busind/hi_tech.asp

Released this week by BC STATS

- Tourism Sector Monitor, May 2007
- Labour Force Statistics, May 2007
- Earnings & Employment Trends, May 2007
- **Next week**
- Exports, April 2007

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